

Kentucky Utilities Company
220 West Main Street
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Louisville, Kentucky 40232
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March 10, 2006

RECEIVED

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PUBLIC SERVICE
COMMISSION

Elizabeth O'Donnell, Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40601

Re: *In the Matter of: 271 West Main Street, LLC v. Kentucky Utilities Company,*
Case No. 2005-00389

Dear Ms. O'Donnell:

Enclosed please find an original and ten (10) copies of the Answer of Kentucky Utilities Company to the Complaint of 271 West Main Street, LLC in the above-referenced docket.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

F. Howard Bush MR

F. Howard Bush
Manager, Tariffs & Special Contracts

cc: Andre F. Regard
271 West Main Street, LLC

2. With regard to the allegations contained in paragraph (b) of the Complaint, KU states that its primary business address is One Quality Street, Lexington, Kentucky 40507.

3. With regard to the allegations contained in the remainder of the Complaint, KU states as follows:

a. With regard to the averment that “271 West Main Street, LLC purchased the building known as the Court Yard Square building, 269 West Main Street, Lexington, Kentucky, 40507 on March 18th, 2005,” KU states that it is without knowledge or information sufficient to form a belief as to the truth of this averment.

b. With regard to the averment that “[d]uring the due diligence prior to the purchase of the building the cost of utilities servicing the building was reviewed and everything seemed in order,” KU states that it is without knowledge or information sufficient to form a belief as to the truth of this averment.

c. With regard to the averment that “[a]fter purchasing the building, the utility rates went up approximately 43%,” KU admits that the change in ownership of the building resulted in the establishment of a new customer account for this address. Availability of the LP Electric Rate Schedule for Large Power Service is limited to minimum average secondary loads of 200 KW and maximum average loads not exceeding 5,000 KW. Complainant does not meet these requirements for service under the LP Electric Rate Schedule. Pursuant to KU’s tariff, this customer could only qualify for the General Service Rate under the GS Electric Rate Schedule. In addition, KU calculates that the application of the GS Electric Rate Schedule, rather than the LP Electric Rate Schedule, results in an approximate 30% rate differential.

d. KU admits the averment that “[a]ttached are the bills from prior to the purchase and the bills after the purchase as well as a spreadsheet showing the cost of each month for the last 18 months.”

e. As to the averment that “Kentucky Utilities was contacted after it came to the attention of the Complainant that the bills had gone up 43%,” KU admits that Complainant contacted KU.

f. As to the averment that “Kentucky Utilities told the Complainant that nothing could be done about this matter due to the fact that it was part of a rate tariff that had been passed in 2004,” KU states that, upon contact from Complainant, KU researched the account to determine whether Complainant could qualify for service under any other rate schedule. However, it was determined that service to Complainant was only available under the GS Electric Rate Schedule. KU admits that the current rates went into effect on July 1, 2004 pursuant to the Commission’s Order of June 30, 2004 in Case No. 2003-00434.

g. As to the averments that “[t]he rate tariff passed in 2004 grandfathered certain LP users. See original sheet No. 20, PSC No. 13 attached,” KU affirmatively states that the LP Electric Rate Schedule approved by the Commission provides that “Customers with average single phase loads less than 200 KW receiving service under this rate schedule as of July 1, 2004, will continue to be served under this rate schedule.”

h. As to the averment that “[i]t was the position of KU that the change of ownership of the building allowed for an increased rate,” KU states that, because Complainant was not receiving service under the LP Electric Rate Schedule as of

July 1, 2004 and did not otherwise meet the tariffed requirements for service under that rate schedule, Complainant did not qualify for service under the LP Electric Rate Schedule.

i. As to the averment that “[t]he Complainant was informed that this was the first time that an increase of this magnitude had been experienced under the grandfathered clause,” KU states that it is without knowledge or information sufficient to form a belief as to the truth of this averment.

j. As to the averment that “[t]he Complainant believes that it was not the intention of the Public Service Commission for buildings to experience this increase in utility rates upon a mere transfer of ownership,” KU is without knowledge or information sufficient to form a belief as to the Complainant’s beliefs.

k. As to the averment that “[a]s it is well known, most grandfathered conditions (such as zoning nonconforming issues) generally apply to the property and not to the ownership,” KU affirmatively states that, on the contrary, grandfathered utility rates are typically limited to specific customers. The intent of grandfathering rates is to restrict the impact of a change on existing customers without insuring that a rate differential will exist forever. Further, under such an interpretation, a customer who elected to construct a new building, rather than to purchase an existing one, would be unfairly disadvantaged.

l. As to Complainant’s request that “[t]he rates structure for the building be returned to the prior LP rate service under original sheet No. 20, PSC No. 13 for the building, which is LP-Secondary service,” KU states that such relief would violate the Company’s tariff, KRS 278.160-.170, and the Commission’s regulations.

4. KU denies all allegations contained in the Complaint which are not expressly admitted in the foregoing paragraphs of this Answer.

FIRST AFFIRMATIVE DEFENSE

The Complaint, or parts of it, fails to set forth any claim upon which relief may be granted by this Commission and, therefore, should be dismissed.

SECOND AFFIRMATIVE DEFENSE

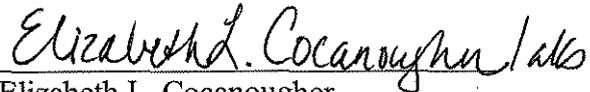
Complainant has failed to set forth a *prima facie* case that KU has violated its tariff or any statute or Commission regulation, and the Complaint should be dismissed for that reason.

WHEREFORE, for all of the reasons set forth above, Kentucky Utilities Company respectfully requests:

- (1) that the Complaint herein be dismissed without further action being taken by the Commission;
- (2) that this matter be closed on the Commission's docket; and
- (3) that KU be afforded any and all other relief to which it may be entitled.

Dated: March 10, 2006

Respectfully submitted,



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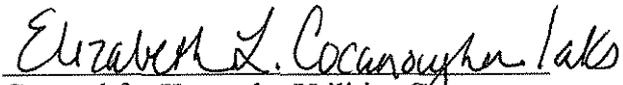
Counsel for Kentucky Utilities Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Answer was served on the following on the 10th day of March, 2006, U.S. mail, postage prepaid:

Andre F. Regard
269 W. Main Street, Suite 600
Lexington, Kentucky 40507

271 West Main Street, LLC
269 W. Main Street, Suite 600
Lexington, Kentucky 40507



Counsel for Kentucky Utilities Company